

**JOHN H. GRAHAM
CLERK OF THE CIRCUIT COURT
FOR THE
COUNTY OF SMYTH**

**REPORT ON AUDIT
FOR THE PERIOD
APRIL 1, 2009 THROUGH MARCH 31, 2010**



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Commonwealth of Virginia

Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Walter J. Kucharski, Auditor

August 20, 2010

The Honorable John H. Graham
Clerk of the Circuit Court
County of Smyth

Board of Supervisors
County of Smyth

Audit Period: April 1, 2009 through March 31, 2010
Court System: County of Smyth

We have audited the cash receipts and disbursements of the Clerk of the Circuit Court for this Court System and for the period noted above. Our primary objectives were to test the accuracy of financial transactions recorded on the Court's financial management system; evaluate the Court's internal controls; and test its compliance with significant state laws, regulations, and policies.

Management's Responsibility

Court management has responsibility for establishing and maintaining internal controls and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Deficiencies in internal controls could possibly lead to the loss of revenues or assets, or otherwise compromise fiscal accountability.

We noted a matter involving internal controls and its operation necessary to bring to management's attention. The matter is discussed in the section titled Comments to Management. Any response and written corrective action plan to remediate this matter provided by the Clerk are included as an enclosure to this report.

We discussed this comment with the Clerk and we acknowledge the cooperation extended to us by the court during this engagement.

AUDITOR OF PUBLIC ACCOUNTS

WJK:alh

cc: The Honorable C. Randall Lowe, Chief Judge
Michael Carter, County Administrator
Robyn M. de Socio, Executive Secretary
Compensation Board
Paul F. DeLosh, Director of Judicial Services
Supreme Court of Virginia
Director, Admin and Public Records
Department of Accounts

COMMENTS TO MANAGEMENT

We noted the following matter involving internal control and its operation that has led or could lead to the loss of revenues, assets, or otherwise compromise the Clerk's fiscal accountability.

Request Tax Set Off Refunds

The former Clerk did not request the Virginia Department of Taxation (TAX) hold set off refunds totaling \$259 for two individuals that owed delinquent court costs and fines as required by Section 58.1-524 (A) of the Code of Virginia. A Court must request that TAX hold tax refunds through its automated accounting system called the Integrated Revenue Management System. We recommend the new Clerk properly request that TAX hold refunds to maximize collections.



Clerk's Office Circuit Court of Smyth County

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John H. Graham
Clerk

August 11, 2010

Walter J. Kucharski
Auditor of Public Accounts
Post Office Box 1295
Richmond, Virginia 23218

RE: Audit period April 1, 2009 through March 31, 2010

Dear Mr. Kucharski:

I was recently contacted by Tracy Vaughan of your office to discuss the above-referenced audit. Ms. Vaughan also emailed me a draft letter, dated August 2, 2010, which goes into detail about a management point mentioned therein. The management point involves my predecessor's procedure for intercepting the state tax refunds of criminal defendants who owe outstanding court costs and fines.

Requesting the Department of Taxation to hold these refunds involves two important deadlines. First, upon notification from the Department of a match, our office must certify to the Department that the matched individuals do in fact have outstanding court costs and fines in our court. Sixty days later, a default date signifies the time by which the accounts must be finalized. It was formerly understood in this office that accounts could not be finalized until *after* the sixty-day default date. This understanding was apparently erroneous, as accounts may not be finalized after the default date.

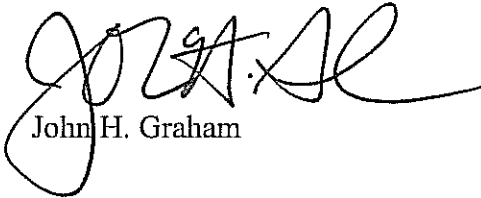
The auditors identified two cases in which this office did not successfully make an intercept request to the Department of Taxation. The auditors state that this office "did not request . . . set off refunds" In fact, this office did request them, but requested them only after the sixty-day default date. To address this issue now and in the future, it is the practice of this office to finalize the matched/certified records before the sixty-day default date.

Letter to Walter J. Kucharski
August 11, 2010
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If you need to discuss this issue with me, please call me at (276) 782-4044.

Wishing you well, I am

Sincerely yours,



John H. Graham

JHG/alb

cc: Michael Carter, Acting County Administrator
The Hon. C. Randall Lowe, Chief Judge
Tracy Vaughan, APA Senior Specialist